

October 25, 2004

BEST IMAGE AVAILABLE

Jennifer L. Johnson, Secretary
Board of Governors
Federal Reserve System
20th and Constitution Avenue, NW
Washington, DC 20551

Re: Docket No. R-1210

Dear Ms. Johnson:

The National Community Reinvestment Coalition (NCRC), the nation's economic justice trade association of 600 community organizations, strongly supports the proposed amendment to federal Regulation E, which addresses payroll cards. The amendment would define a payroll card account directly or indirectly established by an employer to receive wages, salary, or other employee compensation on a recurring basis as an account, which receives the consumer protections of the federal Electronic Fund Transfer Act (EFTA).

We are pleased to see the following aspects of the proposed amendment:

- It applies equally to payroll cards issued by financial institutions, employers, and other entities;
- It will give workers holding payroll cards all of the EFTA protections, • including periodic statements;
- It covers all funds in the payroll card • account;
- It covers all recurring employee compensation paid using a payroll card, • whether that compensation is wages, salary, or a bonus or commission.

We ask the Federal Reserve Board to expand this proposal to clarify that Regulation E also applies to the following types of cards:

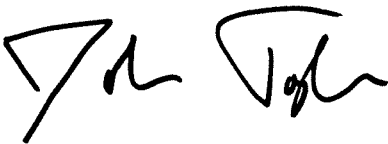
- Cards which deliver or hold funds important to consumers and families, such • as child support cards, unemployment cards, and cards delivering tax refunds • or tax refund anticipation loan proceeds; and
- Cards which are marketed or used as substitutes for a bank account, • particularly when these cards receive direct deposits of wages or other • periodic payments, such as social security payments.

If the Board finalizes its proposal to extend consumer protections under EFTA to payroll cards, the federal agencies should carefully consider payroll cards in a financial institution's Community Reinvestment Act (CRA) exam. The extent of the favorable consideration under CRA must depend on the degree to which the payroll cards and other similar products are "responsive" to the needs for low-cost services for consumers with modest incomes. In addition, CRA's favorable consideration should be greater in cases when the payroll cards facilitate the use of deposit accounts and other bank products by low- and moderate-income consumers. Recently, the federal banking agencies applied this principle of affordability and responsiveness in a letter about remittances to members of the House Financial Services Committee. This letter is attached.

We also ask the Board to clarify that the creation of a sub-rule expressly covering payroll cards and other types of cards does not restrict or impose new conditions on the general reach of what is a "consumer asset account," triggering coverage of the EFTA.

We appreciate the efforts of the Board of Governors of the Federal Reserve to make the consumer protections of the EFTA more plainly applicable to payroll cards. We ask the Board to extend that same clarity and protection to certain other types of stored value cards, which are financially important to consumer households.

Sincerely,



John Taylor
President and CEO

Cc: Consumers Union

**Board of Governors of the Federal Reserve System
Federal Deposit Insurance Corporation
Office of the Comptroller of the Currency
Office of Thrift Supervision**

June 3, 2004

The Honorable Barney Frank
Ranking Member
Committee on Financial Services
House of Representatives
Washington, D.C. 20515

Dear Congressman Frank:

Thank you for your recent letter concerning international remittances services and requesting that the federal banking agencies consider whether the Community Reinvestment Act (CRA) regulations can be interpreted to permit favorable consideration of such services in a financial institution's CRA evaluation. As stated in your letter, remittances services serve an important community need for many low- and moderate-income persons, particularly those who use the services to send money to family members in Latin America. You expressed concern that, although the growth of this business has tripled in recent years, the cost of remittances for consumers in the United States has not declined commensurate with greater volume and competition in this market. You note that providing CRA consideration for remittances services could act as an incentive for banks to lower the costs of these services.

We agree that the sale of remittances can provide an important service in low- and moderate-income communities, and help financial institutions to access a new, or expand an existing, customer base that may not have used traditional banking services in the past. For this reason, as discussed below, we agree that remittances services by wire transfer or the automated clearinghouse would receive consideration in a financial institution's CRA evaluation as a retail service under the current regulations.

The agencies evaluate the record of a large financial institution--generally those with assets over \$250 million or belonging to a holding company with assets over \$1 billion--in providing retail and community development services when they conduct a CRA examination. Further, examiners may consider the record of a small institution in providing these services to determine whether the institution should receive an outstanding rating. In addition to being a retail service under the regulation, remittances services may also qualify as a community development service if they serve to increase access to financial services by low- and moderate-income persons (for example, by being offered in connection with a low-cost account). In fact, some financial institutions have received favorable consideration for their remittances services in

The Honorable Barney Frank
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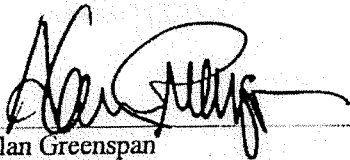
CRA examinations. The impact that a particular service has on a financial institution's CRA rating, however, will depend on its overall performance.

You asked whether the agencies could differentiate in a CRA evaluation between the mere provision of international remittances and the provision of these services at a comparably low cost. The regulations provide that examiners consider both the extent to which a bank provides community development services and the "responsiveness" of the services to the needs of low- and moderate-income individuals. Therefore, similar to the treatment of low-cost bank accounts in a CRA examination (*see* Interagency Questions and Answers Regarding Community Reinvestment), examiners would consider the responsiveness of remittances services to the needs of low- and moderate-income individuals.

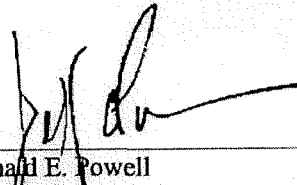
Finally, you inquired about the feasibility of including guidance on this matter in the agencies' question and answer document in the interest of making financial institutions aware that they may receive favorable CRA consideration for providing remittances services. The next update to our questions and answers guidance on the interagency CRA regulations may be an appropriate and timely means to provide this clarification.

Thank you again for your letter. If you have any further questions on this matter, please do not hesitate to contact us again.

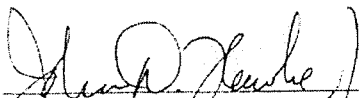
Sincerely,



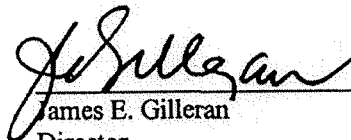
Alan Greenspan
Chairman
Board of Governors of the
Federal Reserve System



Donald E. Powell
Chairman
Federal Deposit Insurance Corporation



John D. Hawke, Jr.
Comptroller of the Currency



James E. Gilleran
Director
Office of Thrift Supervision